

CL/MOU Rate Adj for Exo Changes	\$0.0458
CL/MOU Rate Unadj –	\$0.0514
CL/Loop Rate Adj for Exo Changes	\$65.33
CL/Loop Rate Unadj	\$88.00

Computation of Adjusted 6/85-5/86 Common Line /MOU Rate

6/85-5/86

Common Line

Access Rev (CL)	\$10,878,568
Net Return	\$2,404,629
ANI	\$18,387,193
FIT/SLIT	0.851852
ROR	13.08%
Net Return at 11.25%	\$2,068,559
Earnings above 11.25%	\$336,070
Revenue above 11.25%	\$622,351
CL Rev at 11.25%	\$10,256,217
Inside Wire	\$1,627,434
IW ANI	\$1,507,750
IW Excess Rev	\$51,033
IW at 11.25%	\$1,576,401
CPE	\$921,415
CPE ANI	\$1,167,587
CPE Excess Rev	\$39,519
CPE at 11.25%	\$881,895
CL less IW & CPE change at 11.25%	\$7,797,920
COE Cat 3 - Dems	\$54,732
COE Cat 3 - Dems less CPE and IW	\$41,613
COE Cat 4 - Terms	\$11,997
COE Cat 4 - Terms less CPE and IW	\$9,121
Acct 662	(\$26,719)
Acct 662 less CPE and IW	(\$20,315)
Acct 645	\$20,255
Acct 645 less CPE and IW	\$15,400
SPF Phase-Down	(\$758,528)
SPF Phase-Down less CPE and IW	(\$576,718)

Conformance	(\$95,687)
Conformance less CPE and IW	(\$72,752)
High Cost Fund	\$23,040
Inside Wire Amortization	\$0
CPE Phasedown	\$0
WATS DA: 1986-7	(\$88,697)
Reserve Def Amort	\$88,524
Tax Reform	(\$526,605)
Tax Reform less CPE and IW	(\$400,384)
FASB 87	(\$49,261)
FASB 87 less CPE and IW	(\$37,453)
Deferred Tax	\$42,192
Deferred Tax less CPE and IW	\$0
Other	\$0
Other less CPE and IW	\$0
Total Cum Exog Cost less CPE and IW	(\$1,064,700)
CL Rev Adj for Exo Changes	\$6,733,220
Prem MOU	179,382,372
Non-Prem MOU	20,564,460
Total MOU	199,946,832
WATS DA	24,541,446
Tot MOU less WATS DA	175,405,386
Total Stim MOU =	18,507,500
Total MOU Adj for Incl of Stim	156,897,886
Subscriber Lines	113,316,244

WATS DA adjustment is calculated by assuming constant MOU / Line and multiplying 7/86 - 6/87 WATS exogenous change by ratio of WATS closed-end MOU in current year to that of 7/86 - 6/87. The result is then multiplied by \$103 /\$149 to remove IW included in the WATS exogenous change.

CL/MOU Rate Adj for Exo Changes	\$0.0429
CL/MOU Rate Unadj –	\$0.0544
CL/Loop Rate Adj for Exo Changes	\$59.42
CL/Loop Rate Unadj	\$96.00

Computation of Adjusted 6/84-5/85 Common Line /MOU Rate

6/84-5/85

Common Line

Access Rev (CL)	\$10,172,842
Net Return	\$2,162,478
ANI	\$18,510,144
FIT/SLIT	0.851852
ROR	11.68%
Net Return at 11.25%	\$2,082,391
Earnings above 11.25%	\$80,087
Revenue above 11.25%	\$148,309
CL Rev at 11.25%	\$10,024,533
Inside Wire	\$1,846,371
IW ANI	\$2,398,915
IW Excess Rev	\$19,221
IW at 11.25%	\$1,827,150
CPE	\$1,329,590
CPE ANI	\$1,893,588
CPE Excess Rev	\$15,172
CPE at 11.25%	\$1,314,418
CL less IW & CPE change at 11.25%	\$6,882,965
COE Cat 3 - Dems	\$54,732
COE Cat 3 - Dems less CPE and IW	\$37,579
COE Cat 4 - Terms	\$11,997
COE Cat 4 - Terms less CPE and IW	\$8,237
Acct 662	(\$26,719)
Acct 662 less CPE and IW	(\$18,346)
Acct 645	\$124,572
Acct 645 less CPE and IW	\$85,532
SPF Phase-Down	(\$873,895)
SPF Phase-Down less CPE and IW	(\$600,027)

Conformance	(\$95,687)
Conformance less CPE and IW	(\$65,700)
High Cost Fund - NA	
Inside Wire Amortization	\$0
CPE Phasedown	\$0
WATS DA: 1986-7	(\$84,798)
Reserve Def Amort	\$88,524
Tax Reform	(\$526,605)
Tax Reform less CPE and IW	(\$361,573)
FASB 87	(\$49,261)
FASB 87 less CPE and IW	(\$33,823)
Deferred Tax	\$42,192
Deferred Tax less CPE and IW	\$28,970
Other	\$0
Other less CPE and IW	\$0
Total Cum Exog Cost less CPE and IW	(\$915,424)
CL Rev Adj for Exo Changes	\$5,967,541
Prem MOU	159,296,057
Non-Prem MOU	24,306,300
Total MOU	183,602,357
WATS DA	23,462,547
Tot MOU less WATS DA	160,139,810
Total Stim MOU =	7,504,753
Total MOU Adj for Incl of Stim	152,635,057
Subscriber Lines	109,965,483

CL/MOU Rate Adj for Exo Changes	\$0.0391
CL/MOU Rate Unadj –	\$0.0554
CL/Loop Rate Adj for Exo Changes	\$54.27
CL/Loop Rate Unadj	\$92.51

Computation of Adjusted 1992 Traffic Sensitive /MOU Rate

1992	11.25%	
Traffic Sensitive-Switched		
Access Rev (TS-SW)	\$9,054,015	As reported
Net Return	\$1,768,570	As reported
ANI	\$12,675,167	As reported
FIT/SLIT	0.602106	As reported
ROR	13.95%	Net Return / ANI
Net Return at 11.25%	\$1,425,956	11.25% * ANI
Earnings above 11.25%	\$342,614	Net Return at 11.25% - Net Return
Revenue above 11.25%	\$548,904	(1+FIT/SLIT) * Earnings above 11.25%
TS-SW Rev at 11.25%	\$8,505,111	Access Rev (CL) - Revenue above 11.25%
Equal Access	\$320,377	As reported
EA Excess Rev	\$0	
EA at 11.25%	\$320,377	Equal Access - EA Excess Rev
TS-SW less EA at 11.25%	\$8,184,734	TS-SW Rev at 11.25% - EA at 11.25%
COE Cat 3 - Dems	\$0	
COE Cat 4 - Terms	\$0	
Acct 662	\$0	
Acct 645	\$0	
SPF Phasedown	\$0	
Conformance	\$0	
High Cost Fund	\$0	
Inside Wire Amortization	\$0	
CPE Phasedown	\$0	
WATS DA: 1986-7	\$0	
Reserve Def Amort	\$0	
Tax Reform	\$0	
Tax Reform less EA	\$0	

FASB 87	\$0	
Deferred Tax	\$0	
Deferred Tax less EA	\$0	
Other	\$0	
Other less EA	\$0	
Total Cum Exog Cost less EA	\$0	
TS-SW Rev Adj for Exo Changes	\$5,892,639	
Prem MOU	345,176,963	As reported
Non-Prem MOU	3,973,524	As reported
Total MOU	349,150,487	Prem MOU + Non-Prem MOU
Total Stim MOU =	99,950,833	See note on page 28 of this chart.
Total MOU Adj for Incl of Stim	249,199,654	
TS-SW Rate Adj for Exo Changes	\$0.0236	TS Rev Adj / Total MOU Adj
TS-SW Rate Unadj	\$0.0259	Access Rev (TS-SW) / Total MOU

Computation of Adjusted 1991 Traffic Sensitive /MOU Rate

1991

Traffic Sensitive-Switched

Access Rev (TS-SW)	\$8,609,845
Net Return	\$1,501,758
ANI	\$13,304,389
FIT/SLIT	0.594059
ROR	11.29%
Net Return at 11.25%	\$1,496,744
Earnings above 11.25%	\$5,014
Revenue above 11.25%	\$7,993
TS-SW Rev at 11.25%	\$8,601,852

Equal Access	\$250,150
EA Excess Rev	\$0
EA at 11.25%	\$250,150

TS-SW less EA at 11.25%	\$8,351,702
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COE Cat 3 - Dems	(\$153,932)
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COE Cat 4 - Terms	NA
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Acct 662	NA
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Acct 645	NA
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SPF Phasedown	(\$2,922)
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Conformance	NA
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High Cost Fund	NA
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Inside Wire Amortization	NA
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CPE Phasedown	NA
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WATS DA: 1986-7	NA
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Reserve Def Amort	(\$79,039)
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Tax Reform	NA
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Tax Reform less EA	\$0
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All exogenous changes are cumulated for all later years. Thus, the effect in 1991 is the amount reported for 1992. The effect in 1990 will be the sum of the 1992 and 1991 amounts, and so on. This adjusts exogenous changes to 1992 levels.

Only the Tax Reform Act exogenous change must be recast to remove the portion of the exogenous change in the EA category.

FASB 87	NA
Deferred Tax	\$17,882
Deferred Tax less EA	\$17,362
Other	\$14,297
Other less EA	\$13,881
Total Cum Exog Cost less EA	(\$204,650)
TS-SW Rev Adj for Exo Changes & Stim	\$5,970,354
Prem MOU	324,844,995
Non-Prem MOU	5,215,204
Total MOU	330,060,199
Total Stim MOU =	94,336,874
Total MOU Adj for Incl of Stim	235,723,325
TS-SW Rate Adj for Exo Changes & Stim	\$0.0253
TS-SW Rate Unadj	\$0.0261

CL and TS rates are computed as average revenue per minute of use. Each revenue adjustment (e.g., SLC, Exog) alters the actual rate charged during the period and thus brings about a demand stimulation effect.

In the prior Frentrup-Uretsky (and NERA) studies, estimates of the TS stimulated MOU were calculated to account for the NTS component (the costs associated with line termination at the switch) of the TS category. Here the same type of adjustment is made to TS adjusted revenues. The fact that revenue requirements increase less than proportionally with TS demand is accounted for by increasing TS revenue by the product of proportional demand stimulation and the ratio of NTS line termination revenue requirements to total TS revenue requirements.

with TS demand is accounted for by increasing TS revenue by the product of proportional demand stimulation and the ratio of NTS line termination revenue requirements to total TS revenue requirements.

Computation of Adjusted 1990 Traffic Sensitive /MOU Rate

1990

Traffic Sensitive-Switched

Access Rev (TS-SW)	\$8,492,946
Net Return	\$1,579,267
ANI	\$13,153,973
FIT/SLIT	0.574351
ROR	12.01%
Net Return at 11.25%	\$1,479,822
Earnings above 11.25%	\$99,445
Revenue above 11.25%	\$156,561
TS-SW Rev at 11.25%	\$8,336,385
Equal Access	\$267,689
EA Excess Rev	\$0
EA at 11.25%	\$267,689
TS-SW less EA at 11.25%	\$8,068,696
COE Cat 3 - Dems	(\$363,558)
COE Cat 4 - Terms	\$0
Acct 662	\$0
Acct 645	\$0
SPF Phasedown	(\$5,991)
Conformance	\$0
High Cost Fund	\$0
Inside Wire Amortization	\$0
CPE Phasedown	\$0
WATS DA: 1986-7	\$0
Reserve Def Amort	(\$165,264)
Tax Reform	\$0
Tax Reform less EA	\$0

FASB 87	\$0
Deferred Tax	\$39,939
Deferred Tax less EA	\$38,657
Other	\$509
Other less EA	\$493
Total Cum Exog Cost less EA	(\$495,664)
TS-SW Rev Adj for Exo Changes & Stim	\$5,818,548
Prem MOU	306,415,987
Non-Prem MOU	6,766,515
Total MOU	313,182,502
Total Stim MOU =	81,405,395
Total MOU Adj for Incl of Stim	231,777,107
TS-SW Rate Adj for Exo Changes	\$0.0251
TS-SW Rate Unadj	\$0.0271

Computation of Adjusted 1989 Traffic Sensitive /MOU Rate

1989

Traffic Sensitive-Switched

Access Rev (TS-SW)	\$8,637,220
Net Return	\$1,725,680
ANI	\$13,266,911
FIT/SLIT	0.603820
ROR	13.01%
Net Return at 11.25%	\$1,492,527
Earnings above 11.25%	\$233,153
Revenue above 11.25%	\$373,935
TS-SW Rev at 11.25%	\$8,263,285
Equal Access	\$238,631
EA Excess Rev	\$0
EA at 11.25%	\$238,631
TS-SW less EA at 11.25%	\$8,024,654
COE Cat 3 - Dems	(\$559,735)
COE Cat 4 - Terms	\$0
Acct 662	\$0
Acct 645	\$0
SPF Phasedown	(\$8,872)
Conformance	\$0
High Cost Fund	\$0
Inside Wire Amortization	\$0
CPE Phasedown	\$0
WATS DA: 1986-7	\$0
Reserve Def Amort	(\$111,062)
Tax Reform	\$0
Tax Reform less EA	\$0

FASB 87	\$0
Deferred Tax	\$39,939
Deferred Tax less EA	\$38,786
Other	\$509
Other less EA	\$494
Total Cum Exog Cost less EA	(\$640,389)
TS-SW Rev Adj for Exo Changes & Stim	\$5,875,300
Prem MOU	288,186,947
Non-Prem MOU	7,252,240
Total MOU	295,439,187
Total Stim MOU =	71,209,275
Total MOU Adj for Incl of Stim	224,229,912
TS-SW Rate Adj for Exo Changes	\$0.0262
TS-SW Rate Unadj	\$0.0292

Computation of Adjusted 1988 Traffic Sensitive /MOU Rate

1988

Traffic Sensitive-Switched

Access Rev (TS-SW)	\$8,231,744
Net Return	\$1,722,997
ANI	\$12,825,399
FIT/SLIT	0.607716
ROR	13.43%
Net Return at 11.25%	\$1,442,857
Earnings above 11.25%	\$280,140
Revenue above 11.25%	\$450,385
TS-SW Rev at 11.25%	\$7,781,359
Equal Access	\$255,102
EA Excess Rev	\$0
EA at 11.25%	\$255,102
TS-SW less EA at 11.25%	\$7,526,257
COE Cat 3 - Dems	(\$765,266)
COE Cat 4 - Terms	\$7,300
Acct 662	(\$5,693)
Acct 645	\$0
SPF Phasedown	(\$11,010)
Conformance	\$0
High Cost Fund	\$0
Inside Wire Amortization	\$0
CPE Phasedown	\$0
WATS DA: 1986-7	\$0
Reserve Def Amort	(\$85,293)
Tax Reform	(\$30,058)
Tax Reform less EA	(\$29,073)

FASB 87	\$0
Deferred Tax	\$39,939
Deferred Tax less EA	\$38,630
Other	\$509
Other less EA	\$492
Total Cum Exog Cost less EA	(\$849,912)
TS-SW Rev Adj for Exo Changes & Stim	\$5,591,500
Prem MOU	258,269,102
Non-Prem MOU	8,452,116
Total MOU	266,721,218
Total Stim MOU =	53,882,376
Total MOU Adj for Incl of Stim	212,838,842
TS-SW Rate Adj for Exo Changes	\$0.0263
TS-SW Rate Unadj	\$0.0309

Computation of Adjusted 7/86-6/87 Traffic Sensitive /MOU Rate

7/86-6/87

Traffic Sensitive-Switched

Access Rev (TS-SW)	\$7,102,456
Net Return	\$1,517,112
ANI	\$11,662,549
FIT/SLIT	0.867188
ROR	13.01%
Net Return at 11.25%	\$1,312,037
Earnings above 11.25%	\$205,076
Revenue above 11.25%	\$382,915
TS-SW Rev at 11.25%	\$6,719,541

Equal Access	\$220,924
EA Adjust to 11.25%	(\$6,980)
EA at 11.25%	\$213,944

Equal Access revenue is reported at the authorized rate of return. For this year, an average ROR of 12.375 was assumed. The adjustment is computed by multiplying EA ANI / EA Revenue by 1.125% by reported Equal Access.

TS-SW less EA at 11.25%	\$6,505,597
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COE Cat 3 - Dems	(\$882,963)
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COE Cat 4 - Terms	\$9,561
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Acct 662	(\$20,880)
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Acct 645	\$0
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SPF Phasedown	(\$14,057)
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Conformance	\$393,380
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High Cost Fund	\$0
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Inside Wire Amortization	\$0
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CPE Phasedown	\$0
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WATS DA: 1986-7	\$0
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Reserve Def Amort	(\$24,993)
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Tax Reform	(\$380,733)
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Tax Reform less EA	(\$368,611)
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FASB 87	(\$38,082)
Deferred Tax	\$39,939
Deferred Tax less EA	\$38,667
Other	\$509
Other less EA	\$493
Total Cum Exog Cost less EA	(\$907,485)
TS-SW Rev Adj for Exo Changes & Stim	\$4,862,519
Prem MOU	213,555,674
Non-Prem MOU	13,332,499
Total MOU	226,888,173
Total Stim MOU =	38,094,980
Total MOU Adj for Incl of Stim	188,793,193
TS-SW Rate Adj for Exo Changes	\$0.0258
TS-SW Rate Unadj	\$0.0313

Computation of Adjusted 6/85-5/86 Traffic Sensitive /MOU Rate

6/85-5/86

Traffic Sensitive-Switched

Access Rev (TS-SW)	\$6,562,000
Net Return	\$1,331,020
ANI	\$10,699,691
FIT/SLIT	0.967797
ROR	12.44%
Net Return at 11.25%	\$1,203,715
Earnings above 11.25%	\$127,305
Revenue above 11.25%	\$250,510
TS-SW Rev at 11.25%	\$6,311,490

Equal Access	\$86,737
EA Adjust to 11.25%	(\$3,654)
EA at 11.25%	\$83,083

For this year, ROR was set at 12.75%. The adjustment was made with the factor 1.50% instead of 1.125%.

TS-SW less EA at 11.25%	\$6,228,407
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COE Cat 3 - Dems	(\$882,963)
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COE Cat 4 - Terms	\$9,561
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Acct 662	(\$20,880)
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Acct 645	(\$37,234)
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SPF Phasedown	(\$16,098)
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Conformance	\$393,380
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High Cost Fund	\$0
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Inside Wire Amortization	\$0
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CPE Phasedown	\$0
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WATS DA: 1986-7	(\$225,599)
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Reserve Def Amort	\$60,048
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Tax Reform	(\$404,287)
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Tax Reform less EA	(\$398,965)
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WATS DA adjustment is calculated by assuming constant MOU / Line and multiplying 7/86 - 6/87 WATS exogenous change by ratio of WATS closed-end MOU in current year to that of 7/86 - 6/87.

FASB 87	(\$38,082)
Deferred Tax	\$39,939
Deferred Tax less EA	\$39,413
Other	\$509
Other less EA	\$502
Total Cum Exog Cost less EA	(\$1,116,916)
TS-SW Rev Adj for Exo Changes & Stim	\$4,741,219
Prem MOU	178,986,662
Non-Prem MOU	20,500,443
Total MOU	199,487,105
Total Stim MOU =	18,464,947
Total MOU Adj for Incl of Stim	181,022,158
TS-SW Rate Adj for Exo Changes	\$0.0262
TS-SW Rate Unadj	\$0.0329

Computation of Adjusted 6/84-5/85 Traffic Sensitive /MOU Rate

6/84-5/85

Traffic Sensitive-Switched

Access Rev (TS-SW)	\$5,461,496
Net Return	\$1,169,620
ANI	\$9,241,731
FIT/SLIT	0.927645
ROR	12.66%
Net Return at 11.25%	\$1,039,695
Earnings above 11.25%	\$129,925
Revenue above 11.25%	\$250,450
TS-SW Rev at 11.25%	\$5,211,046

Equal Access	\$46,856
EA Adjust to 11.25%	(\$1,974)
EA at 11.25%	\$44,882

ROR was set at 12.75%, so the adjustment was made with the factor 1.50%.

TS-SW less EA at 11.25%	\$5,166,164
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COE Cat 3 - Dems	(\$882,963)
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COE Cat 4 - Terms	\$9,561
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Acct 662	(\$20,880)
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Acct 645	(\$228,992)
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SPF Phasedown	(\$18,139)
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Conformance	\$393,380
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High Cost Fund	\$0
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Inside Wire Amortization	\$0
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CPE Phasedown	\$0
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WATS DA: 1986-7	(\$215,681)
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Reserve Def Amort	\$60,048
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Tax Reform	(\$404,287)
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Tax Reform less EA	(\$400,805)
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FASB 87	(\$38,082)
Deferred Tax	\$39,939
Deferred Tax less EA	\$39,595
Other	\$509
Other less EA	\$505
Total Cum Exog Cost less EA	(\$1,302,453)
TS-SW Rev Adj for Exo Changes & Stim	\$3,740,115
Prem MOU	158,815,341
Non-Prem MOU	24,293,020
Total MOU	183,108,361
Total Stim MOU =	7,484,561
Total MOU Adj for Incl of Stim	175,623,800
TS-SW Rate Adj for Exo Changes	\$0.0213
TS-SW Rate Unadj	\$0.0298